



*The challenge to deliver the best possible retiree health benefits while complying with the law to operate the plan within the appropriated budgets*

# This Discussion Began Over a Year Ago

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- The Retiree Health benefits budget is the primary topic of this presentation
- This presentation is intended to provide an update on:
  - the challenges that the FY16/FY17 Retiree Health benefits budget faces
  - the 2016 premium contribution and plan design changes
  - challenges to FY18/FY19 Retiree Health budget and potential premium contributions and plan design changes



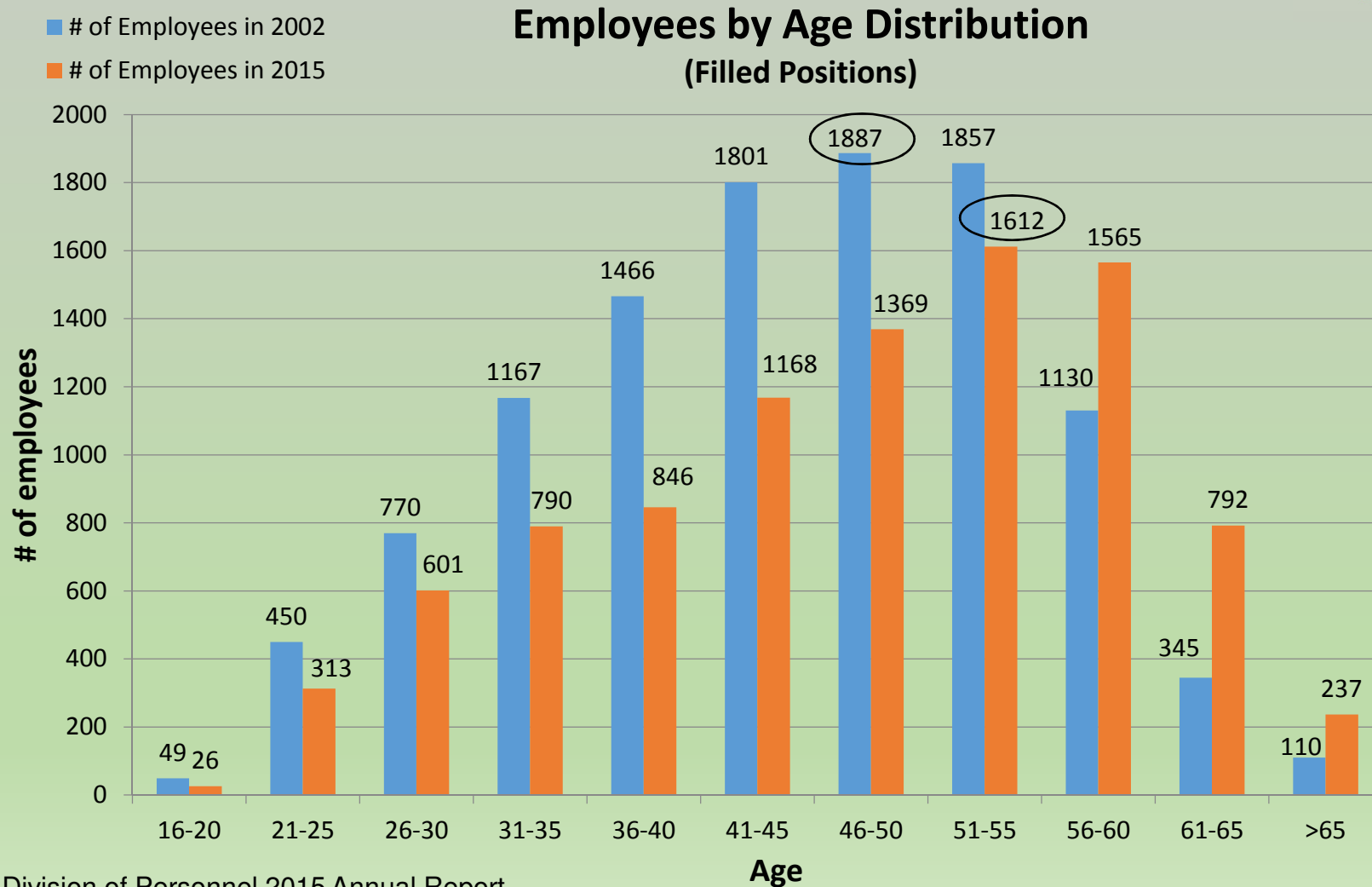
# The Variables in Health Care Management

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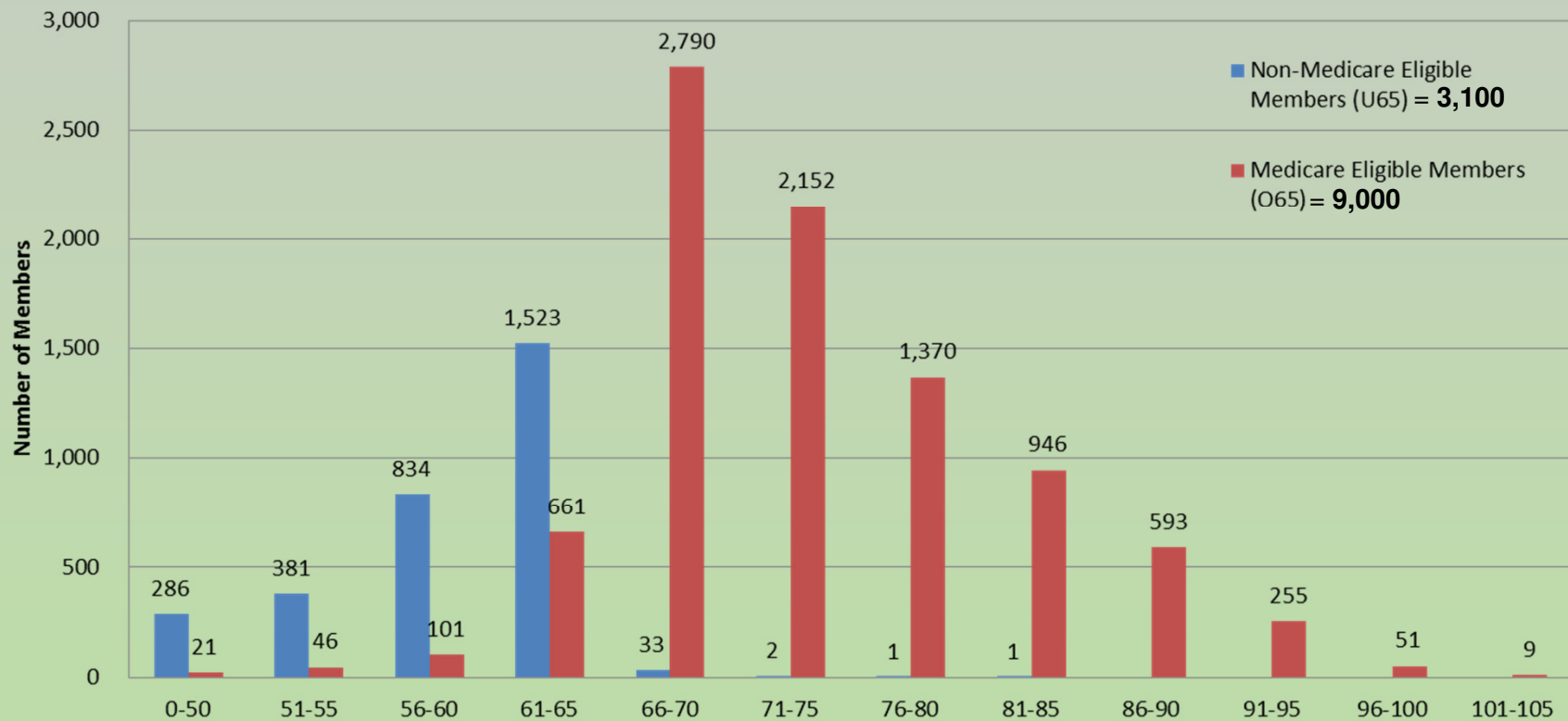
- Enrollment/Headcount
- Cost Trends
- Budget Funding
- Plan Design
  - Deductibles
  - Co-Pays
  - Max. Out of Pocket (MOOP)
  - For non-Medicare: Incent members to use low cost providers through programs like Vitals SmartShopper and Site of Service
  - Premium Contributions

## The Aging Workforce:

In 2002, the largest employee age group was age 46-50.  
In 2015, the largest employee age group was age 51-55.



# Retiree Plan Members by Age Bracket



**5,380 (45%) members over age 70**

**1,855 (15%) members over age 80**

**315 (3%) members over age 90**

Source: Anthem, February 2016

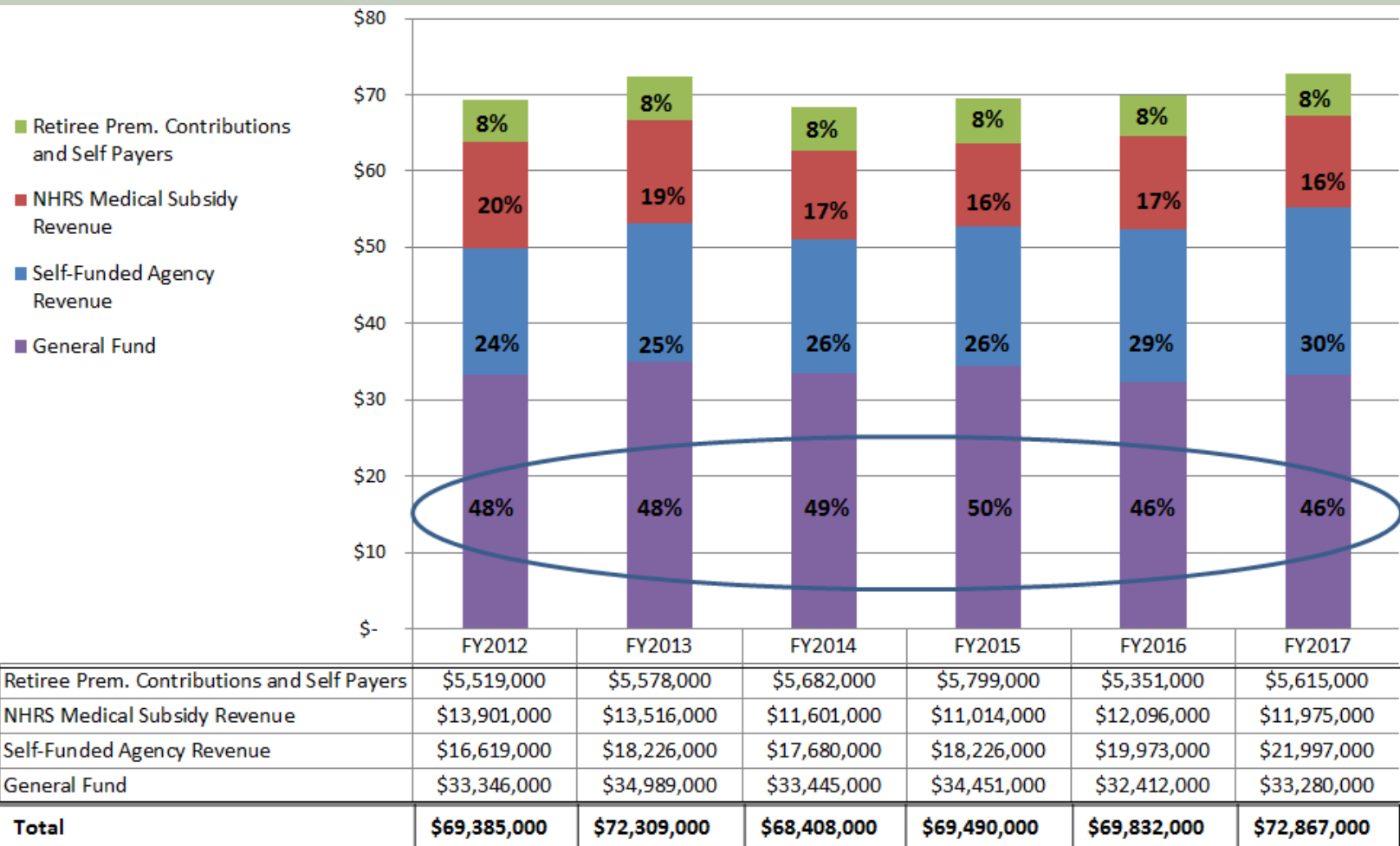
# Rising Retiree Cost Trends

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- Increasing cost of prescription drug benefits:
  - Large number of new, high cost specialty drugs coming to market
  - Inflation impacting the cost of drugs from drug manufacturers
  - Increased utilization of medical and pharmacy benefits
- Aging retiree population and the potential for a Silver Tsunami
- Decreases in the Federal Subsidies attributed to Retiree Health Benefits

# The Budget Has Remained Relatively Flat: Retiree Health (in millions)



# Budget Comparison Between March and July 2015



## RETIREE HEALTH FY16/17 COMPARE BUDGET TO AGENCY ESTIMATE

(in millions)

	FY16	FY17	Total Biennium
Agency Estimate/Request (3/9/15 House, 5/4/15 Senate)	\$71.8	\$76.5	\$148.3
Budget (Governor, House, & Senate)	\$69.8	\$72.9	\$142.7
Budget Shortfall	\$ (2.0)	\$(3.6)	\$ (5.6)

## RETIREE HEALTH FY16/17 COMPARE BUDGET TO UPDATED AGENCY ESTIMATE

INCREASING PHARMACY TREND/Actual Enrollment/Federal Subsidy Decrease

(in millions)

	FY16	FY17	Total Biennium
Updated Agency Estimate (July 2015)	\$72.8	\$79.5	\$152.3
Budget (Governor, House, & Senate)	\$69.8	\$72.9	\$142.7
Budget Shortfall	\$ (3.0)	\$ (6.6)	\$ (9.6)
Reduction in EGWP Direct Subsidy	\$ (.3)	\$ (.7)	\$ (1.0)
Updated Budget Shortfall	\$ (3.3)	\$(7.3)	\$ (10.6)



# 2015 Tool Kit

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- Funding
  - Budget
  - One-Time Surplus
- Plan Design
  - Medical
  - Pharmacy
- Premium Contributions for Under 65/Non-Medicare only

# Fiscal Committee Approved Retiree Plan Changes



Pharmacy Plan Change Component Effective 1/1/16: Approved by Fiscal Committee on 10/20/15			
	Plan Pre 1/1/16	Plan Post 1/1/16	Estimated Biennium Savings
<b><u>Non-Medicare Eligible (Under 65)</u></b>			
Retail Copayments (31 day supply) (generic/preferred brand/non-preferred brand)	\$10 / \$20 / \$35	\$10 / \$25 / \$40	\$400,000
Mail Copayments (90 day supply) (generic/preferred brand/non-preferred brand)	\$1 / \$40 / \$70	\$10 / \$50 / \$80	
Maximum Out-of-Pocket (MOOP)	\$500 Individual/\$1,000 Family	\$750 Individual/\$1,500 Family	
<b><u>Medicare Eligible (Over 65)</u></b>			
Retail Copayments (31 day supply) (generic/preferred brand/non-preferred brand)	\$10 / \$20 / \$35	\$10 / \$25 / \$40	\$1,600,000
Mail Copayments (90 day supply) (generic/preferred brand/non-preferred brand)	\$1 / \$40 / \$70	\$10 / \$50 / \$80	
Maximum Out-of-Pocket (MOOP)	\$500 Individual / \$1,000 Family	\$750 Individual / \$ 1,500 Family	
Total Pharmacy Plan Change Estimated Savings:			\$2,000,000

Change in Non-Medicare Eligible Retiree Premium Contribution Effective 1/1/16: Approved by Fiscal Committee on 11/3/15			
	Plan Pre 1/1/16	Plan Post 1/1/16	Estimated Biennium Savings
Monthly Health Premium Contribution Percentage	12.50%	17.5%	\$2,800,000

**Total Estimated Savings 1/1/16-6/30/17: \$4,800,000**

# FY2016/FY2017 Budget Projection

(July 1, 2015 – June 30, 2016 / July 1, 2016 - June 30, 2017)

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\$10.6 Million

- \$4.8 Million (from plan design changes and premium increases)

- \$5.5 Million (from one-time surplus)

= \$400,000

+ \$300,000 (to study long-term plan design options)

\$700,000 (projected deficit before the end of FY2017)

## FY18/19 DAS Budget Needs

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- An additional \$30 million (\$7.5million per 6 month/biennium quarter) needed to meet projected retiree health care expenditures
- Total FY18/19 Budget Needed: \$173million

# Options for More Tools: 2016 Pending Legislation

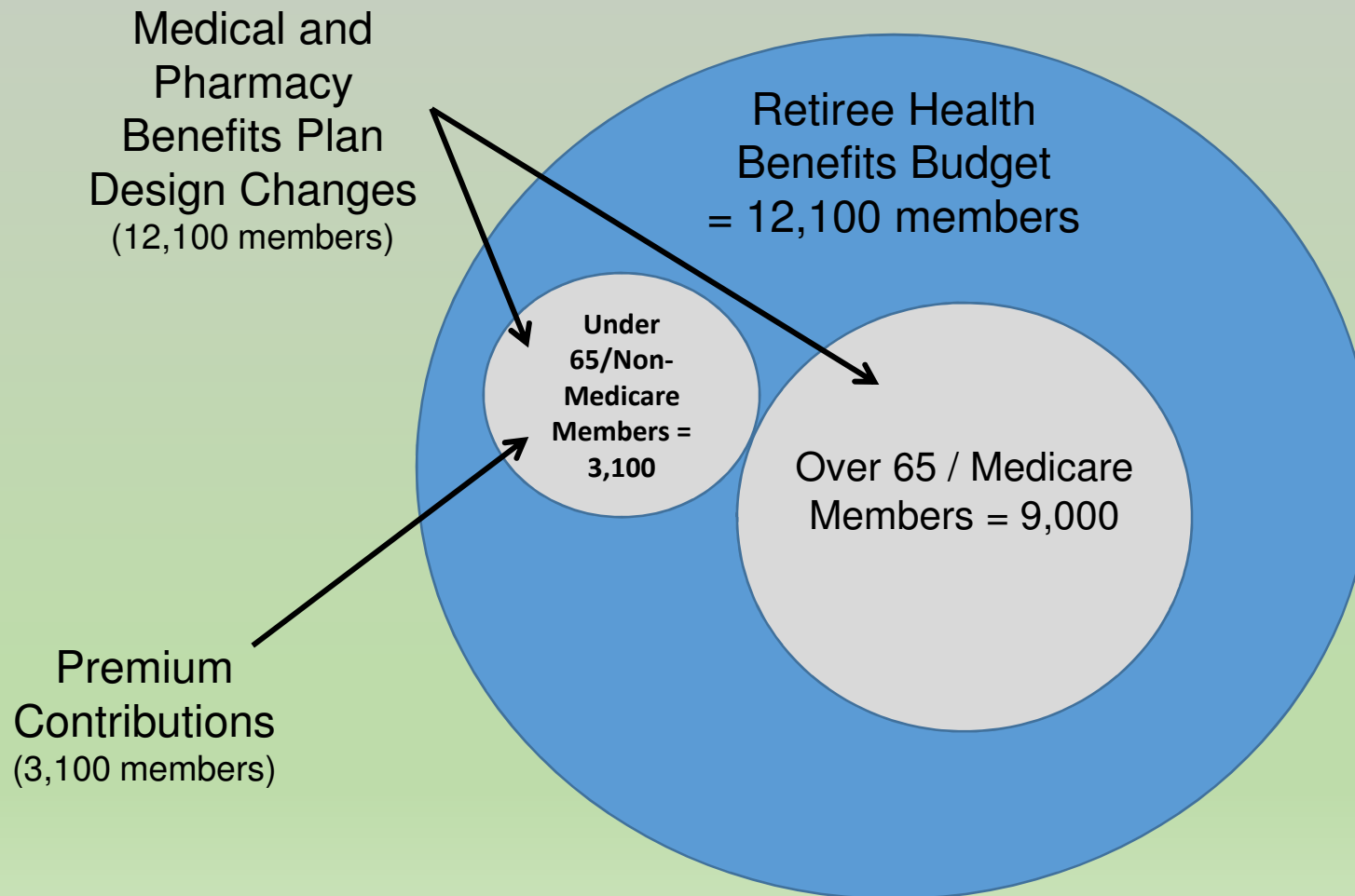
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- SB 388
  - Requires a public hearing before the Fiscal Committee before premium contribution or plan design changes can be made
- SB 495 (Funding)
  - Appropriates \$700K to Retiree Health Benefits account
  - Authorizes DAS to seek approval of additional funding from the Fiscal Committee and Governor and Executive Council
- HB 1591
  - Continuation of premium contribution percentage for retirees in <65 plan who become Medicare eligible 7/1/2016 – 12/31/2016
  - Authorizes a premium contribution for >65 if recommended by DAS Commissioner and approved by the Fiscal Committee

*As of 4/18/2016*

# Toolkit Limitations



# Calendar Year 2017

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- Funding mechanisms depend on the tools in the toolkit
- Make Additional Short-Term Retiree Health Benefit Plan Changes for CY 2017
  - Possible Medicare Eligible (Over Age 65) premium contribution (HB 1591),
  - Non-Medicare Eligible (Under Age 65) premium contribution increase, and/or
  - Changes to Retiree Health Benefit plan design.
- Funding: \$700K + \$7.5 million (\$30 million ÷ 4 Quarters of Biennium)

# Retiree Health Benefits Long-Term Planning

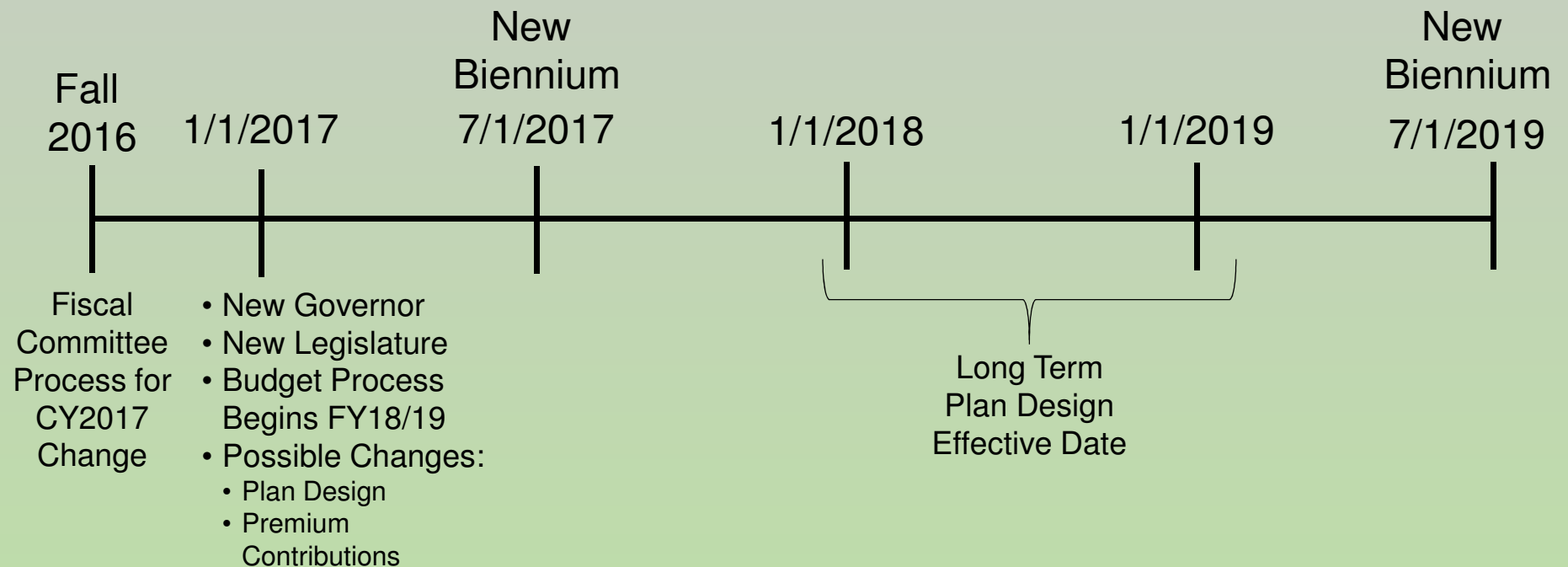
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- DAS working with its health care consultant, The Segal Company, on long-term options to maintain a high level of benefits
  - Defined Contribution Plans
  - Limited Networks
  - Other
- How do we deliver the best possible health benefits while complying with the law to operate the plan within the budget appropriated?
- Factors under consideration:
  - Means testing: Pension Amount, Longevity
  - Hardship waivers



# Timeline



# The Road Ahead

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- DAS must work with retirees, the Governor and the Legislature to manage the retiree health budget
- NH's retiree health budget pressures will continue
- The Cadillac Tax is scheduled to go into effect in 2020; could present issues